

COVENTRY GROUP LTD

ABN 37 008 670 102



Results for Full Year Ended 30 June 2008

Roger Flynn
Executive Chairman

Tony Hockley
Chief Financial Officer

22 AUGUST 2008

SUMMARY



F08

- **Business transitions continued at a cost**
- **Sold non-performing assets**
- **Minor acquisitions**
- **Reduced debt substantially**
- **Ground work for tougher economy**
- **Selective organic growth**
- **High staff turnover a hidden cost**

SUMMARY



F09

- **Continued focus on non-performing assets**
- **Growth through**
 - **organic volume**
 - **operating efficiently**
- **Continued emphasis on debt reduction**
- **Improved working capital management**
- **Re-shaping the Balance Sheet**

COVENTRY GROUP BUSINESS PROFILE



		<u>June '07</u>	→	<u>June '08</u>
Industrial	- Fasteners	Aust & NZ		Aust & NZ
	- Artia (Furn/H/W)	Aust & NZ		Aust & NZ
	- Fluids	WA & Qld		WA, Qld, SA & Vic
Gaskets	- To aftermarket	Aust & NZ		Aust & NZ
Hotmix	- Bitumen & Asphalt	WA		-
Auto	- Aftermarket Parts	WA, SA, Qld & NT		WA & SA
• Trade focused at “heavy” end of economy through distribution centres & branches • Our business mix skewed to “resource states” (WA, Qld & now SA)				

F08 MIX OF CONTINUING BUSINESSES



Businesses -

Sales

**By Geography : 93% Australia
7% NZ**

**By Business Group : 60% Industrial
37% Auto
3% Gaskets**

OVERVIEW OF F08



- Industrial
 - Most areas to plan
 - Still significant areas for improvement
 - Demand held up well
 - Australian system transitions now mostly complete
- Gaskets
 - Well led
 - Benefited from competitive position
 - Market / product initiatives



OVERVIEW OF F08

- Auto
- Relocated WA business
 - Changed systems (x2)
 - High staff turnover (WA)
 - Reduced WA service → lower sales
 - SA improved
 - Q4 consumer confidence drop
 - Sold Qld
 - Sold NT
 - Initiatives to progress in F'09
 - Reduce capital employed
 - Lift trading performance

OVERVIEW OF F08



Financial

- Business & asset sales →
Debt from \$82m mid-June '07 to
\$46m end June '08
- Appraised value of properties held end June '08
= \$47m
c.f. Balance Sheet value = \$21m
- Most of vehicle fleet sold & leased back
- No dividends

PROJECT COMPASS UPDATE



- Coventry Auto WA – Live in late August '07
- Infix live April/May '08
- Coventry Fasteners Qld live August '08
 - Implementations now progressing smoothly
- Systems now very stable
- Costs brought under tight control
- System enhancements now being implemented in all areas
- Few further businesses to be brought onto Platform – roll-out will be complete in F'09

RESULTS SUMMARY



- Total sales down 8% to \$483m
- Sales from continuing operations down 4% to \$449m
- Normalised PBIT down 59% to \$10m
- Normalised profit after tax down 43% to \$7.6m
- No final dividend – therefore no dividend for the year
- Individually material items net a loss of \$1m

FINANCIAL OVERVIEW

- CONTINUING OPERATIONS



\$M	FY08	FY07	% Change
Sales	448.8	468.3	↓ 4
EBIT – normalised	10.1	24.3	↓ 59
Net profit after tax (after minority interest but including profit from discontinued operations)	6.9	(1.2)	
EPS – normalised (cents)	18.3	35.0	↓ 48
EPS (cents)	16.6	(3.8)	

FINANCIAL OVERVIEW (Cont'd)

- CONTINUING OPERATIONS



	FY08	FY07
EBIT / Sales (%)	3.2	4.8
Return on capital employed (%) (EBIT / equity + net debt)	6.6	10.0
Return on equity (%) (NPAT / equity)	4.4	8.0

Above ratios are based on normalised earnings

CASH FLOW & GEARING



\$M	FY08	FY07
Operating cash flow	11.8	10.0
Closing net interest bearing debt	45.8	75.5
Closing equity	172.9	168.1
Net debt / equity (%)	26.5	44.9
Net debt / equity + net debt (%)	20.9	31.0
Interest cover (times)	2.5	4.9

Debt levels much reduced but further work to be done on Inventory and Receivables

DIVIDENDS



\$M	FY08	FY07
EPS – Normalised (cents)	18.3	35.0
Dividend per share (cents)	-	17.0
Franking (%)	N/A	100.0
Franking account balance	20.9	20.5

Group plans to return to paying dividends as soon as practicable

CAPITAL EMPLOYED



\$M	FY08	FY07
Capital expenditure	8.3	18.6
Stock turns	2.8	2.9
Days sales in trade debtors	61.1	55.8

Capital expenditure demands much moderated with the relocation of WA site now completed and IT expenditure under control

INDIVIDUALLY MATERIAL ITEMS IMPACTING FY08 RESULTS (PRE TAX)



\$M	
Net gain on sale of businesses	1.5
Net gain on sale of “bitumen” land and buildings	7.0
Relocation costs of principal WA site	(3.4)
Additional stock provisions	(4.2)
Costs of closure / exiting businesses	(1.9)
	(1.0)

AUTOMOTIVE

(excluding discontinued operations)



\$M	FY08	FY07	% Change
Revenue	168.3	203.6	↓ 17
EBIT (normalised)	(8.6)	2.8	-
EBIT margin (%)	(5.1)	1.4	
Capital employed	53.6	55.2	
Return on capital employed (%)	(9.5)	2.6	

- **Significant revenue decline in WA from**
 - Implementation of new ERP
 - Move of distribution centre
 - New picking system / methodology
- **Revenue and profit improvement in SA**



INDUSTRIAL

\$M	FY08	FY07	% Change
Revenue	272.7	258.6	↑ 5
EBIT (normalised)	21.4	22.9	↓ 7
EBIT margin (%)	7.8	8.9	
Capital employed	110.7	107.8	
Return on capital employed (%)	19.3	21.2	

- Fasteners had mixed results but particularly strong in Qld/WA
- Cooper Fluids strong growth – expansion into SA & Victoria
- Artia hardware business had a tough year but now positioned for the future

GASKETS



\$M	FY08	FY07	% Change
Revenue	11.6	11.1	↑ 5
EBIT	2.0	1.2	↑ 64
EBIT margin (%)	16.9	10.7	
Capital employed	8.9	9.0	
Return on capital employed (%)	21.9	13.3	

- Well led
- Strong performance in a better competitive position

F09 OUTLOOK



- “Resource States” still strong but no longer “Hot”
- Other States unpredictable
- NZ softer economy but still opportunities
- Auto performance a function of
 - Continued internal improvement
 - Consumer confidence
- Challenges of higher inflation & currency volatility
- \$35M of debt hedged @ 6% bill rate through F’09
- Estimated \$20M excess working capital targeted